



ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: January 13, 2014

IN THIS ISSUE.....

- Norfolk's unemployment rate in November was 6.6 percent (not seasonally adjusted), which was below the previous year's rate of 7.2 percent and the previous month's rate of 6.9 percent. (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) rose in November by 0.7 percent (25,500 jobs) to 3,797,800 jobs from 3,772,300 jobs last year (November 2012), the 43rd consecutive month of year-over-year increase. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) rose 1.4 percent (10,400 jobs) to 761,400 from 751,000 jobs last year (November 2012), the 34th consecutive month of year-over-year increase. (See page 2)
- From January to November 2013, the average sales price of homes sold in Hampton Roads rose 4.2 percent, from \$223,919 last year to \$233,232 this year. (See page 3)
- In Norfolk, the average price of homes sold also increased year-to-date through November by 7.4 percent, from \$181,365 to \$194,844. The increase was seen in the average sales price of both existing and new homes. (See page 3)
- The number of housing units in Norfolk authorized by building permits through November was up by 604 units, mainly due to housing units permitted in multi-family structures. (See page 4)
- Through November, Norfolk sales taxes were up 5.1 percent (or \$590,000). However, last year's collections to date reflected the correction of an overpayment to Norfolk and prior year one-time revenues collected in July 2012. Once those factors are taken into account, sales taxes year-to-date are tracking last year's collections. (See page 5)
- Real GDP increased at an annual rate of 4.1 percent (third estimate) in the third quarter of 2013, which was the fastest rate since the fourth quarter of 2011. The figure does not reflect the impact of the federal government shutdown, which occurred in October (fourth quarter of 2013). (See page 6)

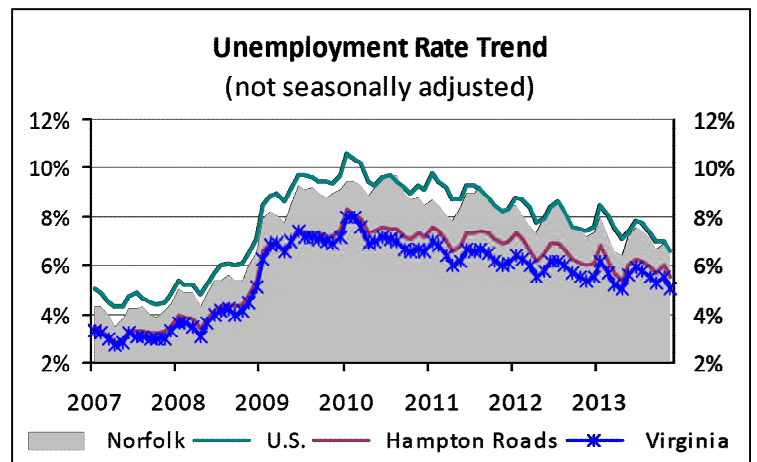
Residential Employment

Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	November 2013*	October 2013	November 2012	10-Year Average
Norfolk	6.6%	6.9%	7.2%	6.4%
Chesapeake	5.1%	5.6%	5.5%	4.8%
Hampton	6.6%	7.1%	7.3%	5.9%
Newport News	6.1%	6.6%	6.7%	5.7%
Portsmouth	6.8%	7.7%	7.1%	6.5%
Suffolk	5.5%	6.1%	6.2%	5.3%
Virginia Beach	5.0%	5.3%	5.3%	4.4%
Hampton Roads	5.5%	6.0%	6.0%	5.1%
Virginia	5.0%	5.5%	5.4%	4.8%

The Virginia Employment Commission (VEC) reported that Norfolk's unemployment rate (not seasonally adjusted) was 6.6 percent in November, which was below last year's rate by 0.6 percentage point (November 2012) and last month's rate by 0.3 percentage point (October 2013). The unemployment rate fell from last year, as the number of unemployed residents fell by 606 (8.1 percent), while the Norfolk labor force and number of employed residents increased by 1,106 (1.2 percent) and 500 (0.5 percent), respectively.

The unemployment rate in the state and in the region both fell from the previous month by 0.5 percentage point and was below the previous year's unemployment rate by 0.4 percentage point and 0.5 percentage point, respectively. Likewise, the unemployment rate of all the seven major cities in the region also declined from the previous month and previous year.

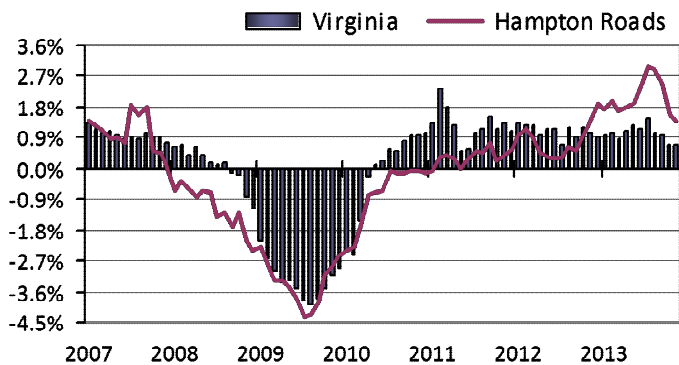


The *City of Norfolk Economic Indicators* is available online at:
<http://www.norfolk.gov/index.aspx?NID=437>

Source: Virginia Employment Commission and U.S Bureau of Labor Statistics. * Preliminary, subject to revision.

State and Regional Job Growth

State and Regional Monthly Job Growth
(percentage growth over previous year)



In Virginia, nonfarm employment (not seasonally adjusted) rose in November by 0.7 percent (25,500 jobs) to 3,797,800 jobs from 3,772,300 jobs last year (November 2012), the 43rd consecutive month of year-over-year job growth that began May 2010. In Hampton Roads, nonfarm employment (not seasonally adjusted) rose 1.4 percent (10,400 jobs) to 761,400 from 751,000 jobs last year, the 34th consecutive month of year-over-year increase since February 2011. The Virginia Employment Commission indicated employment statewide continues to trend upward, but has yet to surpass its pre-recession peak.

The job growth in the region was fairly broad based across the major industry groups—only the federal government and information had a decline. Statewide, jobs increased year-over-year in most of the major industry groups, the exceptions were the federal government, professional and business services, information and construction.

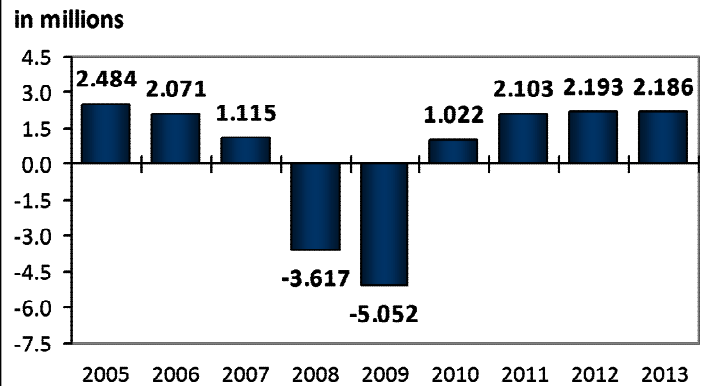
November Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	2,500	-700
Manufacturing	1,000	600
Trade (Retail and Wholesale)	0	5,500
Transportation and Utilities	100	1,200
Information	-200	-1,600
Financial Activities	1,300	7,200
Professional and Business Services	100	-9,200
Educational and Health Services	4,200	12,500
Leisure and Hospitality	1,700	11,000
Government	-500	100
<i>Federal Government</i>	-1,400	-3,400
<i>State Government</i>	500	1,100
<i>Local Government</i>	400	2,400

National Job Growth

National Job Growth
(annual change in employment in millions)



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 74,000 jobs in December, the lowest monthly growth since January 2011, while job growth in November was revised up by 38,000 from 203,000 to 241,000. Nearly 2.19 million jobs were added in 2013, an average of 182,000 jobs per month. Since February 2010, when total employment was at its lowest, the economy has added nearly 7.6 million jobs. The job growth have mainly been in the private sector, although this year, state and local government added jobs, the first annual increase since 2008. However, BLS will release revised figures next month to reflect the annual benchmark adjustment and updated seasonal adjustment factors. In November, the seasonally adjusted unemployment rate fell to 6.7 percent from 7.0 percent.

National Job Change by Industry

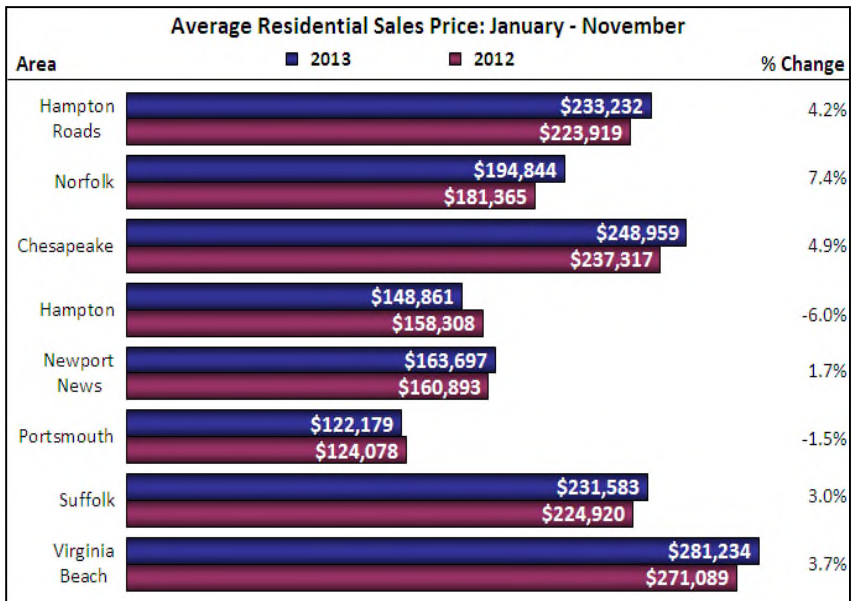
(seasonally adjusted; Oct./Nov. growth are from previous month)

	Dec. 2013 ²	Jan. - Dec. 2013 ²	Jan. - Dec. 2012 ³
Mining & Logging	4,000	31,000	27,000
Construction	-16,000	122,000	99,000
Manufacturing	9,000	77,000	154,000
Trade/Transportation/Utilities	69,000	517,000	484,000
Information	-12,000	-4,000	-6,000
Finance	4,000	84,000	103,000
Professional/Business Services	19,000	637,000	564,000
Educational/Health Services	0	327,000	416,000
Leisure and Hospitality	9,000	390,000	360,000
Other Services	1,000	30,000	68,000
Government	-13,000	-25,000	-76,000
<i>Federal Government</i>	-2,000	-79,000	-42,000
<i>State Government</i>	-2,000	11,000	-2,000
<i>Local Government</i>	-9,000	43,000	-32,000
Total Job Growth	74,000	2,186,000	2,193,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Regional Housing Market

Jan. - Nov. Home Sales	Housing Units Sold		Average Days on Market	
	2012	2013	2012	2013
Hampton Roads	18,009	19,985	97	88
Norfolk	2,154	2,412	98	90
Chesapeake	2,919	3,255	83	73
Hampton	1,264	1,316	110	99
Newport News	1,478	1,531	100	97
Portsmouth	1,004	1,143	108	97
Suffolk	1,061	1,249	100	91
Virginia Beach	5,226	5,692	84	72



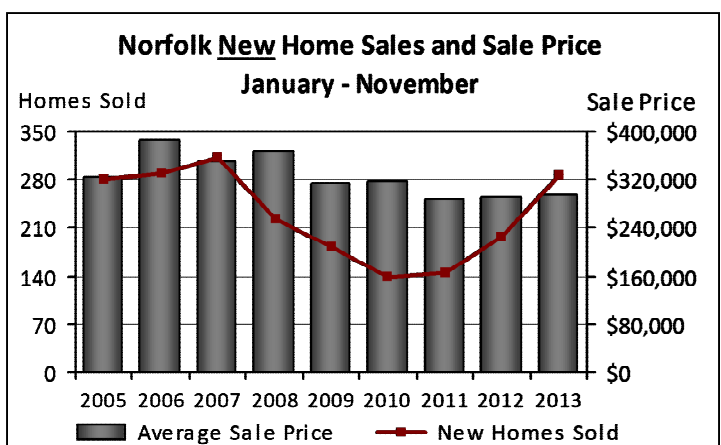
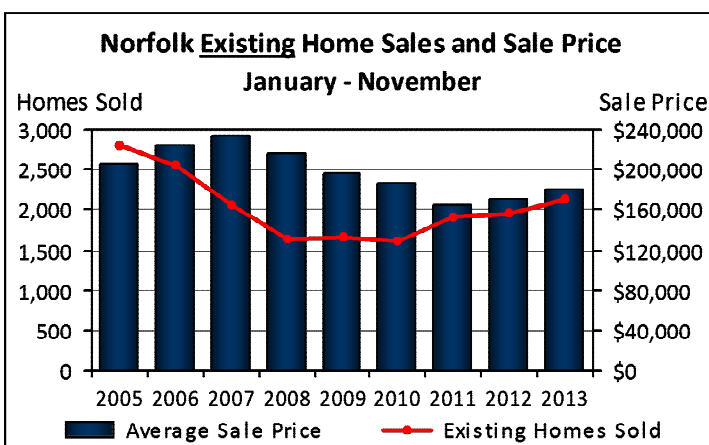
From January through November, the Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads rose 4.2 percent, from \$223,919 last year to \$233,232 this year. In Norfolk, the average sales price of homes sold year-to-date (YTD) increased 7.4 percent, the largest year-over-year percentage increase among the seven major cities in the region. However, distressed homes, which are typically sold at a discount, continued to have an impact on regional home sales. According to REIN, distressed homes accounted for 26.9 percent of November home sales, which was the highest percentage since April 2013. Among the seven major cities, only Hampton and Portsmouth had a year-over-year decline in the average sales price YTD.

Home sales in the region continued to be above last year, up 11 percent YTD, and all the seven major cities in the region had an increase YTD. The region as a whole should continue to see growth in home sales, with REIN reporting a 1.7 percent increase in residential listings and a 7.68 percent increase in residential pending sales. However, not all the seven major cities had an increase. Only Norfolk, Suffolk and Virginia Beach had an increase in residential listings, while Norfolk and Chesapeake, had a decline in pending sales of 2.8 percent and 9.8 percent, respectively.

Norfolk Housing Market

Through November, the number of existing homes sold in Norfolk rose to 2,125 from 1,956, an 8.6 percent (169 homes) increase. The average sales price of existing homes sold year-to-date also rose 6.4 percent to \$181,300 from \$170,400 last year. The rise in price reflected fewer existing homes sold for under \$100,000 (8.0 percent decline) and a 26 percent increase in existing homes sold for over \$200,000. Existing homes sold for under \$100,000 accounted for 27 percent of new home sales YTD compared to about 32 percent last year.

New home sales also increased year-to-date (YTD) by 45 percent (or 89 homes), from 198 homes sold last year to 287 homes sold this year. The average sales price of new homes sold YTD increased by about 2.0 percent, to \$295,400 from \$289,500 last year. Similar to existing homes, the rise in price reflected fewer new homes sold in the \$100,000 range (the lowest price range for new home sales) and an increase in new homes sold for over \$200,000.



Source: Real Estate Information Network (REIN)

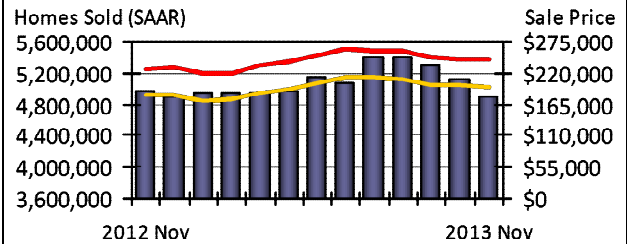
National Housing Market

Nationwide, existing home sales nationally fell 4.3 percent in November from the previous month (October 2013) for the third straight month to a seasonally adjusted annual rate (SAAR) of 4.9 million. This was the first time since May 2013 that sales fell below the 5.0 million rate. Moreover, existing home sales also fell below last year's rate by 1.2 percent, the first year-over-year decline in 29 months, as indicated by the National Association of Realtors (NAR). Likewise, new home sales fell 2.1 percent to 464,000 (SAAR) from last month's 474,000 rate, but continued to be above last year's rate by 16.6 percent.

NAR indicated "home sales are hurt by higher mortgage interest rates, constrained inventory and continuing tight credit". The inventory of existing and new homes stood at 5.1 and 4.3 months supply, respectively, in November, below the six months' supply generally considered to be ideal. However, average sales prices of existing and new homes sold continued to rise by 7.2 and 17.1 percent from last year to \$244,300 and \$340,300, respectively.

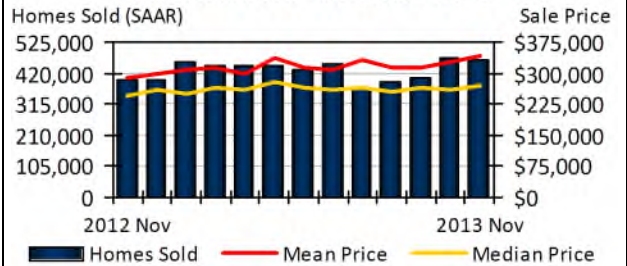
Existing Home Sales and Sale Price

November 2012 - November 2013



New Home Sales and Sale Price

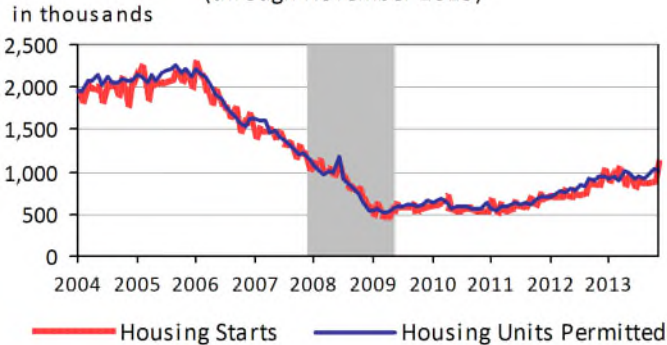
November 2012 - November 2013



National New Residential Construction

National Housing Starts and Building Permits

(through November 2013)



In November, privately-owned housing units authorized by building permits fell 3.1 percent to 1,007,000 (SAAR) from the revised rate of 1,039,000 last month (October 2013). The monthly decline was mainly due to housing units permitted in multi-family structures. From the same month last year (November 2012), housing units permitted rose by about 7.9 percent and have been rising year-over-year since May 2011.

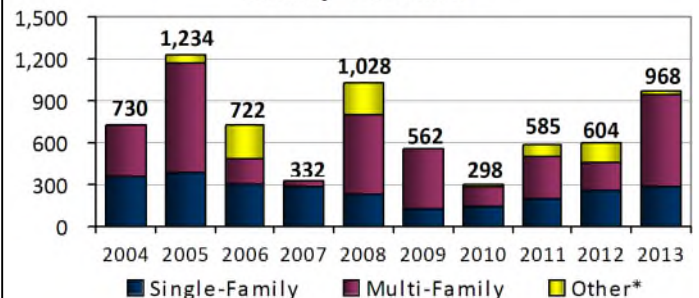
In contrast, privately-owned housing starts rose 22.7 percent in November to 1,091,000 from 889,000 in October 2013 and are at their highest level since February 2008. Housing units started rose for both single-family and multi-family structures. From the previous year, housing starts grew by about 29.6 percent.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is "completed" when all finished flooring has been installed or at the time of occupancy.

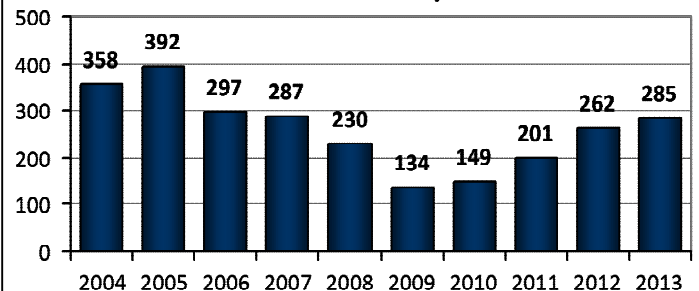
Norfolk Residential Building Permits

In Norfolk, the number of housing units permitted through November were up 364 units, from 604 units last year to 968 units this year. The increase was mainly from housing units permitted in multi-family structures, which included several large projects such as, Element at Ghent (164 units), Point at Pickett Farms (168 units), and East Beach Marina Apartments (136 units). Single-family housing units permitted also contributed to the growth and had reached their highest level since 2008.

Number of Housing Units Permitted in Norfolk January - November



Number of New Single Family Dwellings Permitted in Norfolk: January - November

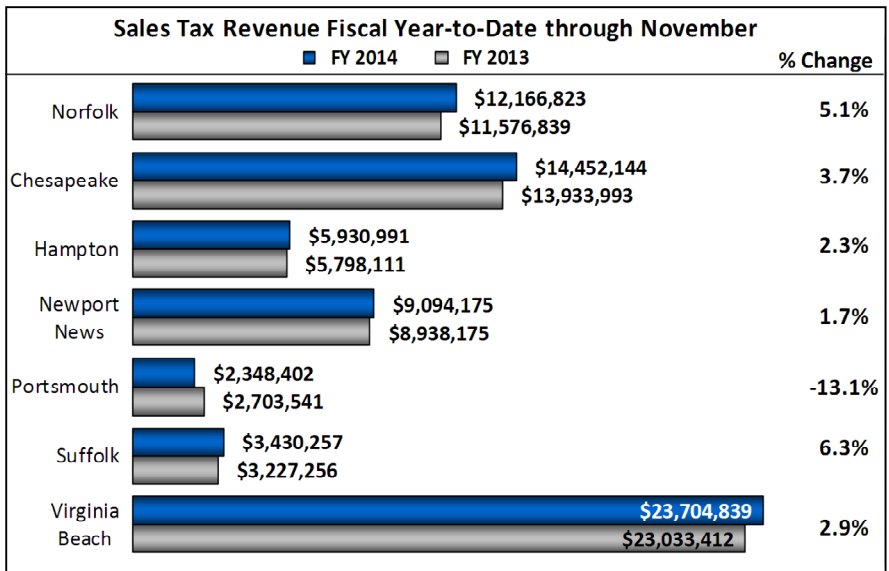


Source: National Association of Realtors (NAR), U.S. Census Bureau, and City of Norfolk Department of Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

Norfolk and Regional Sales Tax

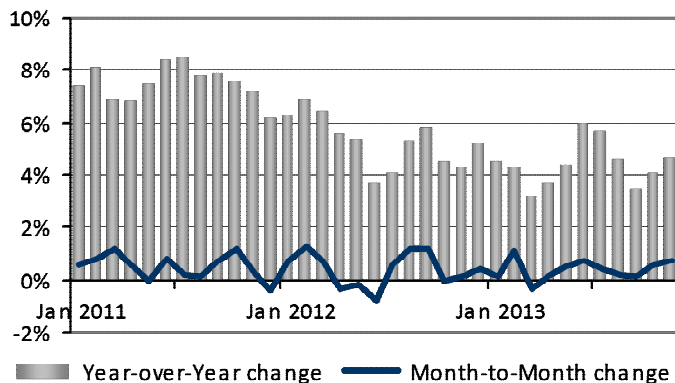
The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in November totaled about \$2.3 million, which was a decline of 9.7 percent (or \$245,900) from last year. Of the seven major cities in the region, only Virginia Beach and Suffolk had an increase for the month. This is only the first look at holiday sales. Next month's report of December sales will provide a more complete picture of holiday sales.

Through November, Norfolk sales taxes were up 5.1 percent (or \$590,000). However, last year's collections reflected the Tax Department's correction of an overpayment to Norfolk and one-time sales taxes collected in July 2012. Taking those factors into account, sales taxes year-to-date are tracking last year's collections. With the exception of Portsmouth, sales tax collections were up year-to-date among the major cities in the region.



National Retail and Food Service Sales

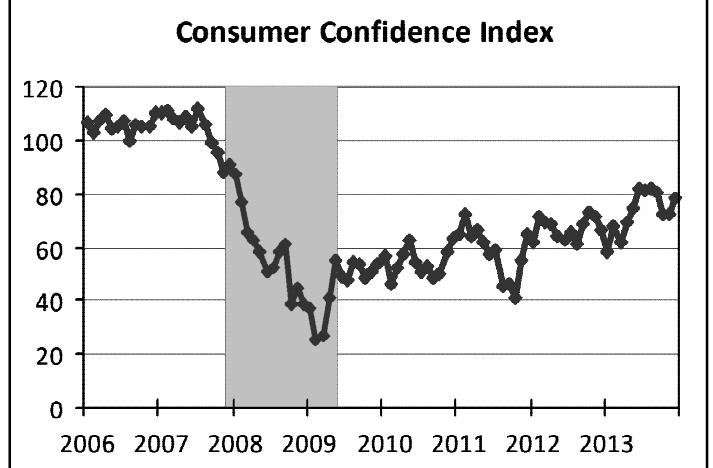
Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)



The U.S. Census Bureau reported national retail and food services sales in November rose 0.7 percent (preliminary) from the previous month (November 2013). This was the eighth consecutive monthly increase and was the largest since June 2013. At least half the increase (52 percent) were from motor vehicle/parts dealers. The monthly increase was somewhat broad based—only gas stations, food and beverage stores, clothing and clothing accessories stores, and miscellaneous stores retailers had a decline in retail sales.

Compared to last year (November 2012), retail and food service sales rose 4.7 percent. Among the major business categories, only department stores and gas stations saw a decline. The trend in gas stations sales reflected retail gas prices, which fell 20 cents (for all grades/formulations) in November to \$3.32 per gallon from \$3.52 per gallon last year, as reported by the U.S. Energy Information Administration.

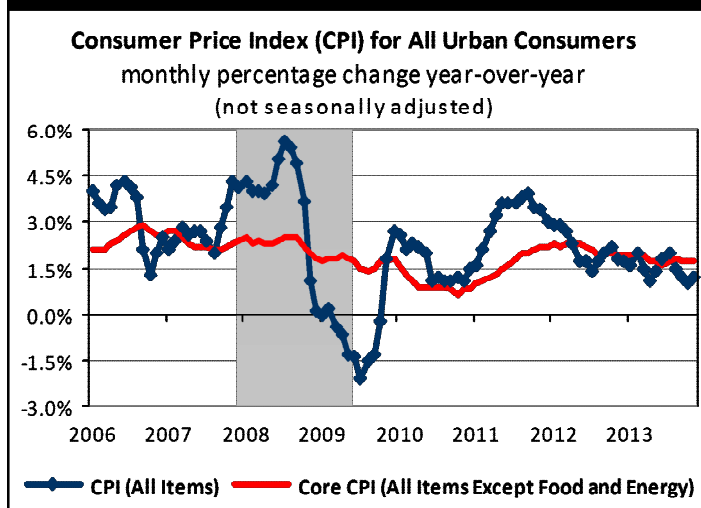
Consumer Confidence Index



The Conference Board reported consumer confidence, after three straight months of decline, rebounded in December to 78.1 from 72.0 in November. The Present Situation Index rose to 76.2 from 73.5, while The Expectations Index also increased, from 71.1 to 79.4.

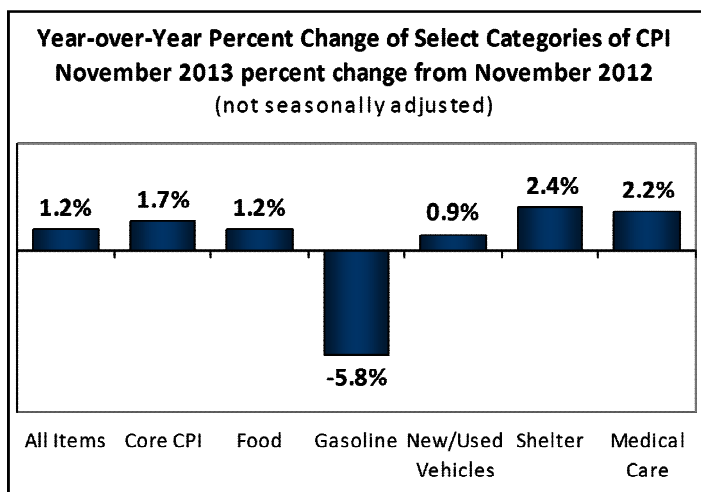
Lynn Franco, Director of Economic Indicators at The Conference Board indicated "consumer confidence rebounded in December and is now close to pre-government shutdown levels (September 2013, 80.2). Sentiment regarding current conditions increased to a five and a half year high (April 2008, 81.9), with consumers attributing the improvement to more favorable economic and labor market conditions. Looking ahead, consumers expressed a greater degree of confidence in future economic and job prospects, but were moderately more pessimistic about their earning prospects. Despite the many challenges throughout 2013, consumers are in better spirits today than when the year began."

Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers was unchanged in November, after declining 0.1 percent in October on a seasonally adjusted basis. Among the major expenditure categories, energy prices declined by 1.0 percent, which was offset by increases in the other major categories. Both food prices and the core CPI, which excludes food and energy, rose 0.1 percent and 0.2 percent, respectively, in November. Within energy, the gasoline and natural gas prices declined, while electricity and fuel oil rose in November from the previous month.

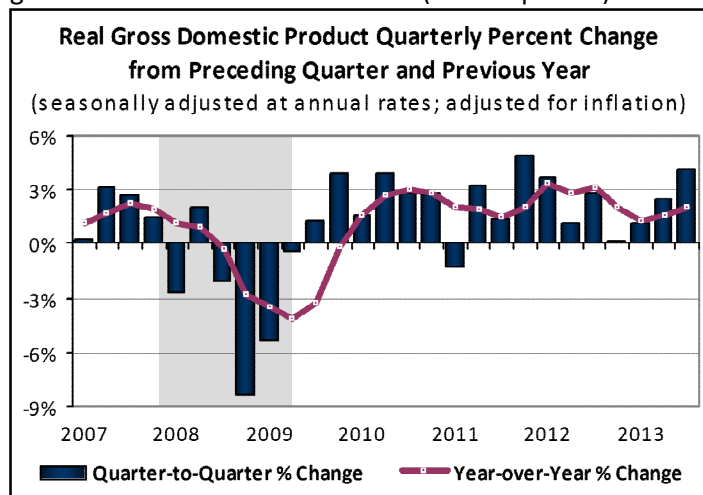
From the previous year, the CPI for all urban consumers rose 1.2 percent before seasonal adjustment. Among the major expenditure categories, energy prices fell 2.4 percent, the fourth consecutive month of year-over-year decline. Gasoline and fuel oil prices drove the decline, which was partly offset by an increase in electricity and natural gas prices. Offsetting the decline in energy prices was an increase in food prices and core CPI, which rose 1.2 percent and 1.7 percent, respectively.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 4.1 percent (third estimate) in the third quarter of 2013, the fastest rate since the fourth quarter of 2011. The figure does not reflect the impact of the federal government shutdown in October (fourth quarter).



The accelerated growth in the third quarter reflected:

- **consumer spending** increasing 2.0 percent, compared with a 1.8 percent increase in the second quarter;
- **business inventory investment** rising \$115.7 billion, after a \$56.6 billion increase in the second quarter, which accounted for about 40 percent of GDP growth;
- **state/local government spending and investment** rising 1.7 percent, after increasing 0.4 percent in the second quarter; and
- **imports**, which subtract from GDP, rising 2.4 percent, below the second quarter's 6.9 percent growth.

Exports and business and residential fixed investment also contributed to the growth in real GDP, while federal government spending and investment continued to be a drag on GDP growth for the fourth straight quarter.

